

OPIC Special Report

Latin America and the Caribbean



*A Special
Report on
the Activities
of the
Overseas
Private
Investment
Corporation*

OPIC Commitments to Latin American Projects Reaching Record Levels

Nearly \$2 billion in loans, loan guaranties and political risk insurance will be provided this year by the Overseas Private Investment Corporation for projects in Latin America and the Caribbean, marking a record high for OPIC support in the region.



Open for business in 34 Latin American countries, OPIC is financing projects and insuring investments ranging from soft drink bottling in Peru to electric power generation in Grenada. For fiscal year 1994, OPIC provided \$1.7 billion for projects in the region, up from \$1.4 billion in the previous year.

"OPIC has proven to be flexible, and has a refreshing client and business focus," said Graeme Mills, Director, International Corporate Finance at Bank of Boston (BKB). "Working with OPIC, we have developed customized solutions to the financing needs of our clients in Latin America."

Without rigid guidelines, OPIC approaches projects on a case-by-case basis, allowing it to tailor financing and insurance to project requirements. And OPIC support often provides the catalyst needed to stimulate investment and attract financing from other sources.

BKB has worked with OPIC on more than 40 projects, enabling the bank to increase its branch banking activities and mitigate risk in providing financing to its clients in Argentina, Brazil, Chile, Uruguay and Venezuela. Last year, OPIC committed a \$100 million loan guaranty to BKB for an on-lending facility in Brazil, which will respond to the need for medium- and

long-term loans in the country. OPIC also provided BKB with political risk insurance for its \$24.5 million loan to Xerox Corpora-

tion, which will help the company strengthen its market presence in Argentina. The loan will leverage twice its value in trade financing for Xerox's Argentine customers, substantially expanding the distribution of its business equipment in the country and bolstering U.S. exports.

see **Record Highs** on page 2

OPIC Helps U.S. Firms Take the Lead in Infrastructure Projects

As Latin America's state-run infrastructure enterprises undergo widespread privatization and modernization, the Overseas Private Investment Corporation is proving to be a key partner for U.S. companies seeking a stake in the emerging business opportunities. OPIC financing and political risk insurance are enabling U.S. companies to win new and profitable ventures in telecommunications, energy and transportation that might otherwise be won by foreign competitors.

OPIC is particularly well-suited to support infrastructure projects, which tend to involve very long-term commitments and require large amounts of financing. Last year, OPIC increased its financing and insurance limits each to \$200 million per project, and OPIC offers insurance against political risks for up to twenty years. For U.S. firms investing in infrastructure projects in the region, OPIC's capabilities and experience will be invaluable.

U.S. telecommunications firms, for example, are working with OPIC on numerous projects in Latin America. With \$200 million in OPIC financing, a consortium of U.S. and Argentine investors — including GTE Mobile Communications International and AT&T International — are supplying, installing and operating state-of-the-art cellular telephone networks throughout

see **Infrastructure** on page 3

In this Issue

OPIC Commitments to Latin American Projects Approach \$2 Billion

Infrastructure Projects Fuel Economic Growth

OPIC Backs South America Investment Fund

Investing in the Environment



OPIC programs are available in 34 countries in Central America, South America and the Caribbean. In the last three years alone, OPIC has supported more than 100 projects in 22 countries in the region. These were undertaken by more than 60 U.S. firms seeking to expand their markets in this hemisphere.

Record Highs, continued

A Partner in Privatization

The wave of privatization in Latin America is creating unprecedented opportunity for U.S. firms. In recent years, OPIC has been very active in supporting U.S. investment in Argentina, where economic reforms have resulted in a massive privatization effort. For example, OPIC provided insurance to Costanera Power Corporation, a subsidiary of Indiana-based CINERGY Corporation, in the privatization of a 1.26 gigawatt power generation facility in Buenos Aires. Through \$75 million in insurance, OPIC played an instrumental role in Citibank's financing of part of Argentina's privatized telephone system. With OPIC support, Citibank is also expanding its operations in Peru, where another major privatization effort has been launched. As in Argentina, OPIC is prepared to play a significant role in helping U.S. investors get established in the Peruvian market.

OPIC Financing Unlocks Opportunity in Brazil

U.S. firms of different sizes and in a wide variety of sectors gain support from OPIC. With \$6 million in OPIC financing, a mid-size U.S. bakery was able to tap into the large Brazilian market. "Commercial lenders we approached weren't able to help us with this project," according to Mike Urbut, Executive Vice President and Chief Financial Officer of Fresh Start Bakeries. "It is safe to say that without OPIC, we couldn't have taken advantage of this unique opportunity." The company is now selling three million buns weekly to quick service restaurants in Brazil and Uruguay. ■



Infrastructure, continued

Argentina outside greater Buenos Aires. U.S. exports of communications equipment and services for this project are expected to top \$400 million.

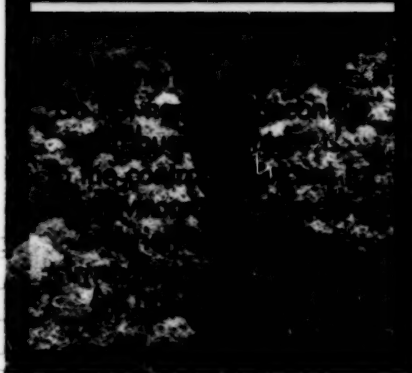
OPIC Co-Financing Powers Up Business in Colombia

In the first Latin American power project to be brought on line with private capital, OPIC joined Chase Manhattan Bank and other lending institutions to support K & M Engineering and Consulting Corporation in the Mamonal project (now owned by KMR Power Corporation), a natural gas-fired generating facility being built in Cartagena, Colombia. Thirty-five million dollars in OPIC financing and over \$56 million in political risk insurance are helping to meet Colombia's growing demand for electrical power. This is an example of how OPIC can leverage its own resources by co-financing projects with U.S. international commercial banks and other financial institutions such as the International Finance Corporation, the InterAmerican Development Bank and the Export-Import Bank of the United States.

Another important energy project in Colombia is being developed by Enron Corp. with Argentine and Colombian investors. Supported by \$100 million in OPIC insurance, Enron and its partners will build and operate a 357-mile natural gas pipeline between Ballena and Barrancabermeja. The project will promote the use of clean-burning natural gas, one of Colombia's major resources.

Jamaican Tourism to Fly Higher With OPIC Support

OPIC political risk insurance is playing a key role in a major privatization project that will increase by 75 percent the capacity of Sangster International Airport in Montego Bay, Jamaica, and boost the country's main industry — tourism. With \$90 million in OPIC insurance, Citibank, N.A. is arranging for a portion of the funding to construct and operate a new terminal at the airport. The remaining portion of the funding is being generated by the sale of convertible bonds, which will boost capital markets and enable the lenders to become equity partners in the future. This project is expected to support \$62 million in exports from 14 American companies. ■

OPIC Invests in the Environment

Committed to promoting business that improves the environment, OPIC is joining with firms that bring environmental solutions to Latin America. With growing opportunity on both the "brown" and "green" side of environmental business, OPIC support for projects in this sector is expanding.

To help enhance efficiency and environmental protection in Argentina, OPIC approved \$100 million in financing for Esso Sociedad Anónima Petrolera Argentina, an Exxon Corporation affiliate. The enhancements include renovating its service station network and upgrading refinery capacity and instrumentation.

Tropical Forestry and Ecotourism Receive OPIC Support

Oregon-based Larson Wood Products is selectively harvesting tropical hardwoods

in Brazil's Amazon jungle with a close eye on the environment and \$1 million in OPIC financing. The Rainforest Alliance certified the project for practicing well-managed tropical forestry. OPIC also provided \$67.5 million of insurance to Yaguarete Forests L.P., which grows high-value hardwoods in Paraguay. These projects are proving that tropical forest resources can be harvested on a sustainable basis.

Along the Ecuadorean headwaters of the Amazon, OPIC insurance is supporting an environmental tourism program where a jungle lodge and butterfly farm offer visitors insights on the fragile ecosystem. This type of tourism allows people to see the natural environment with minimal adverse impact.

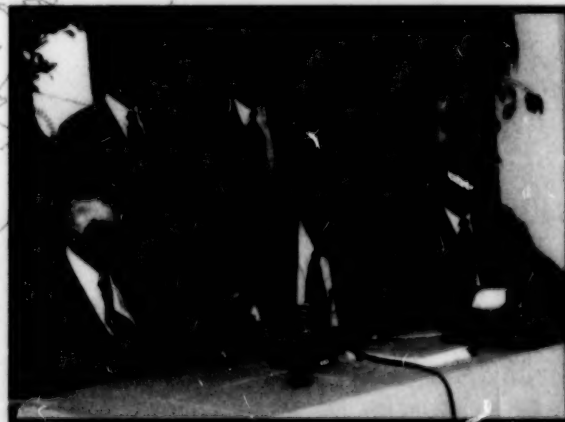
OPIC-Backed Fund Invests in Environment

To create a new source of equity for environmental projects, OPIC provided a \$50 million guaranty for the Global Environment Emerging Markets Fund, L.P., a private equity fund that provides capital for environmentally oriented businesses in any of the more than 140 countries in which OPIC operates. Managed by the Global Environment Management Corporation, the fund concentrates on expanding commercial opportunities involving clean energy, water treatment, air pollution control and waste management. The fund has already made three investments in Latin America and is pursuing several others, including projects that will bring much needed clean water and wastewater treatment to countries in the region. ■

OPIC Supports On-Lending Facility to Revitalize Haiti

Robert O. Draggon (seated at left), OPIC Vice President for Finance, signs an agreement with Ira Jackson, Senior Vice President of External Affairs for the First

National Bank of Boston, committing a \$50 million OPIC guaranty to the bank's Haiti branch. Also seated is Guy Cavilly, Vice President and General Manager, Bank of Boston, Haiti. Looking on are (l-r) Deputy Secretary of State Strobe Talbott and Smarck Michel, Prime Minister of Haiti. The funds will be on-lent to projects involving strong U.S. ties or strong Haitian development effects.



Who is OPIC?

The Overseas Private Investment Corporation supports U.S. businesses investing in some 140 developing countries and emerging market economies around the world...

creating jobs, exports, and economic growth at home and abroad. A U.S. government agency, OPIC fosters American global competitiveness and promotes U.S. foreign policy goals, including support of democratic and economic reform in emerging markets and former centrally-planned economies. OPIC programs are for U.S. citizens, U.S. companies more than 50 percent owned by U.S. citizens, or foreign corporations at least 95 percent U.S. owned. To receive OPIC assistance, projects may not have a negative impact on the U.S. economy, and must meet standards regarding the environment and recognition of worker rights in the host country.

OPIC finances U.S. business growth...

through direct loans and loan guaranties that provide medium- to long-term funding to ventures involving significant equity or management participation by U.S. businesses. Two types of financing are available for new ventures or expansion or modernization of existing, successful operations: **loan guaranties** — used typically for larger projects and ranging in size from \$10 million to \$200 million; and **direct loans** — reserved for projects involving U.S. small businesses and cooperatives and generally ranging from \$2 million to \$30 million. OPIC can provide limited recourse project financing in countries where convention-

al financial institutions often are reluctant or unable to lend on this basis. Rather than relying on sovereign guaranties, OPIC provides "project financing" which looks for repayment from revenues generated by the project.

Also, OPIC's family of investment funds offers equity capital to start or expand businesses that involve U.S. private participation.

OPIC protects U.S. investors against political risks overseas...

by offering insurance against the following: **currency inconvertibility** — inability to convert profits, debt service and other returns from local currency into U.S. dollars and transfer those dollars out of the host country; **expropriation** — loss of an investment due to expropriation, nationalization or confiscation by a foreign government; and **political violence** — loss of assets or income due to war, revolution, insurrection or politically motivated civil strife, terrorism or sabotage. Coverage is available for equity investments in new ventures or expansions or modernizations of existing enterprises, parent company and third party loans and loan guaranties, technical assistance agreements, cross-border leases and other forms of investment exposure. OPIC also insures contractors, exporters and financial institutions. To be eligible for insurance, investors must submit an OPIC *Request for Registration for Political Risk Insurance* form before making an irrevocable commitment to a project.

OPIC helps U.S. businesses find foreign joint venture opportunities...

by conducting **investment missions** which bring groups of U.S. executives to selected countries to meet potential joint

venture partners, as well as host country government officials and local business leaders who can play key roles in bringing proposed business ventures to fruition.

OPIC also sponsors **conferences** and **seminars** related to international investment and trade, introducing American companies to business opportunities that can help them expand and prosper in the global economy.

Need more info?

You can call OPIC 'round-the-clock

OPIC's automated information lines provide callers with detailed descriptions of OPIC finance, insurance and investment development programs 24 hours a day. The system is designed to meet the growing demand for quick answers to basic questions about OPIC programs.

Callers can listen to recorded program descriptions, or obtain printed program information via mail or fax by calling the OPIC **InfoLine: (202)336-8799**.

A variety of OPIC documents — from a preliminary finance application to a registration form for OPIC political risk insurance — can be obtained instantly via your fax machine by calling the OPIC **FactsLine: (202)336-8700**.

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